

**GENERAL
FACT SHEET**

018-51

BILL NUMBER

BRIEF TITLE	APPROVAL DEADLINE	REASON
LES 2001 Supplemental Budget Resolution	03/12/01	Would like to have these adopted on March 12, or as soon as possible.

DETAILS

POSITIONS/RECOMMENDATIONS

<p>Reason for Legislation</p> <p>Adopting Lincoln Electric System Supplemental Budget for the fiscal year beginning January 1, 2001.</p>	<table border="1"> <tr> <td>Sponsor</td> <td></td> </tr> <tr> <td>Programs, Departments, or Groups Affected</td> <td></td> </tr> <tr> <td>Applicants/Proponents</td> <td> <p>Applicant</p> <p>City Department</p> <p>Other</p> </td> </tr> </table>	Sponsor		Programs, Departments, or Groups Affected		Applicants/Proponents	<p>Applicant</p> <p>City Department</p> <p>Other</p>		
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Applicants/Proponents	<p>Applicant</p> <p>City Department</p> <p>Other</p>								
<p>Discussion (Including Relationship to other Council Actions)</p> <p>The Lincoln Electric System (LES) Supplemental Budget is recommended for approval by the LES Administrative Board at its scheduled meeting of January 19, 2001.</p>	<table border="1"> <tr> <td>Opponents</td> <td> <p>Groups or Individuals</p> <p>Basis of Opposition</p> </td> </tr> <tr> <td>Staff Recommendation</td> <td> <p><input type="checkbox"/> For <input type="checkbox"/> Against</p> <p>Reason Against</p> </td> </tr> <tr> <td>Board or Commission Recommendation</td> <td> <p>BYLES Administrative Board</p> <p><input checked="" type="checkbox"/> For <input type="checkbox"/> Against</p> <p><input type="checkbox"/> No Action Taken</p> <p><input type="checkbox"/> For with revisions or conditions</p> <p>(See Details column for conditions)</p> </td> </tr> <tr> <td>CITY COUNCIL ACTIONS (FOR COUNCIL USE ONLY)</td> <td> <p><input type="checkbox"/> PASS</p> <p><input type="checkbox"/> PASS (AS AMENDED)</p> <p><input type="checkbox"/> COUNCIL SUB.</p> <p><input type="checkbox"/> WITHOUT RECOMMENDATION</p> <p><input type="checkbox"/> HOLD</p> <p><input type="checkbox"/> DO NOT PASS</p> </td> </tr> </table>	Opponents	<p>Groups or Individuals</p> <p>Basis of Opposition</p>	Staff Recommendation	<p><input type="checkbox"/> For <input type="checkbox"/> Against</p> <p>Reason Against</p>	Board or Commission Recommendation	<p>BYLES Administrative Board</p> <p><input checked="" type="checkbox"/> For <input type="checkbox"/> Against</p> <p><input type="checkbox"/> No Action Taken</p> <p><input type="checkbox"/> For with revisions or conditions</p> <p>(See Details column for conditions)</p>	CITY COUNCIL ACTIONS (FOR COUNCIL USE ONLY)	<p><input type="checkbox"/> PASS</p> <p><input type="checkbox"/> PASS (AS AMENDED)</p> <p><input type="checkbox"/> COUNCIL SUB.</p> <p><input type="checkbox"/> WITHOUT RECOMMENDATION</p> <p><input type="checkbox"/> HOLD</p> <p><input type="checkbox"/> DO NOT PASS</p>
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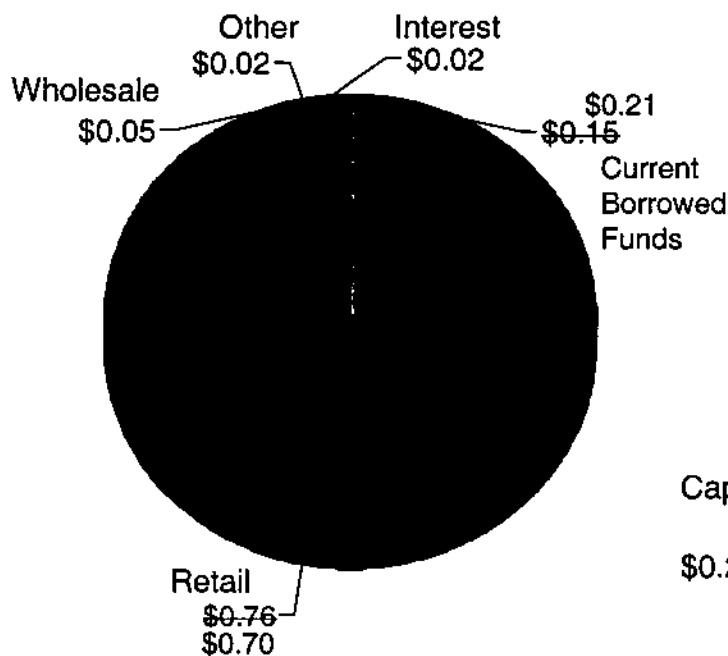


Lincoln Electric System

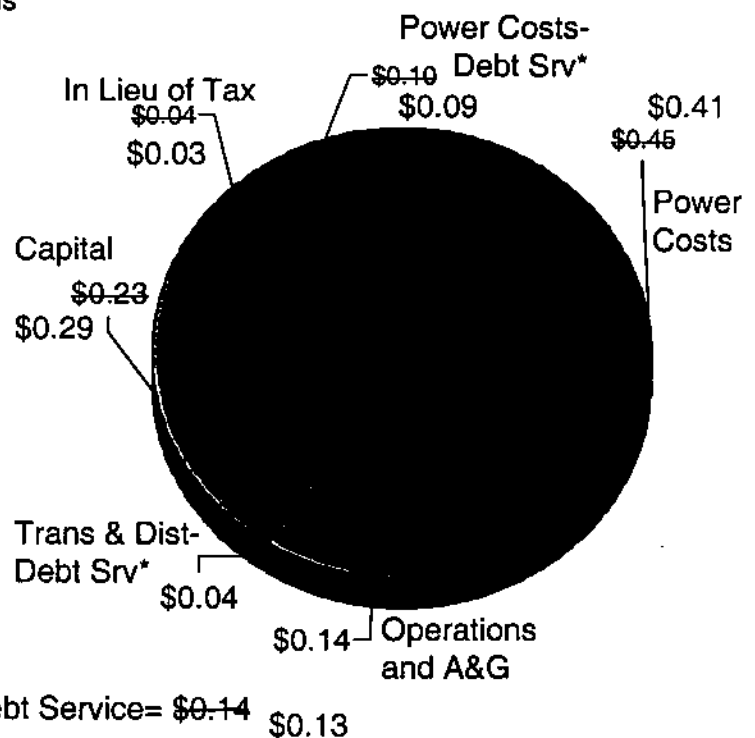
2001 Budget

Total Authorization - ~~\$187,698,100~~ \$202,585,100

Source of Funds



Uses of Funds



Budget Report	1
Budget Request Summary (Appropriations)	B-1
Comparative Operating Budget Statements	B-2
Capital Budget Summary & Activity.....	C-1

LINCOLN ELECTRIC SYSTEM OPERATING AND CAPITAL BUDGET 2001

Lincoln Electric System submits its 2001 Budget to continue to provide reliable, low-cost electric service and continue to look for ways the infrastructure of LES can be used as a service to its customers. The net operating budget will be \$118,464,600, the debt service requirement will be \$25,671,900 and the capital budget will be ~~\$40,561,600~~ \$58,448,600.

HIGHLIGHTS

Lincoln's Growth - Continuing growth requires expansion of the electric system. LES added 2,222 retail customers in 1999, an estimated 2,300 in 2000 and estimates an addition of 2,400 new customers in 2001.

Power Supply - The 2000 peak demand of 689 megawatts (MW) exceeded the previous peak by 1 MW and the 2000 budgeted peak by 3 MW. The transmission constraints continue to be a significant challenge for LES staff. Additional resources are planned for 2003.

Industry Issues - The U. S. electric utility industry is experiencing fundamental changes related to increased retail competition and open wholesale access to the transmission grid. Through the Nebraska Legislature, the Nebraska electric power industry and other stakeholders have completed a study through LR 455. As a result, LB 901 was passed by the legislature requiring a "condition-certain" approach to deregulation.

Revenue Bond Ratings and Competitive Index - The three major rating agencies making such evaluations reaffirmed the excellent competitive position of LES, and the AA status of outstanding LES revenue bonds.

Rate Program - LES rates have not increased since 1994. Rate increases over the past decade have been increased only 7% which is significantly below cumulative general inflation increases of about 40%. No increase is required in 2001 and none likely until 2002.

Infrastructure - With Board approval, LES will take the first step in utilizing its infrastructure to provide superior value and enhance growth and development of the greater Lincoln area in its application to be a competitive access provider ("CAP"). As a CAP, LES will use the fiber optic cable located in the static wire of its high voltage system to provide open access to businesses, governmental agencies and communications providers. LES will not compete for telephone or cable television business.

Financial Planning - LES hired Public Financial Management as its financial advisor in June, 1999 to provide support and expertise in the development of a financial plan and other debt related activities. A Financial Plan was developed and approved February 18, 2000. Several recommendations were placed in a separate calendar and have been completed in 2000. The primary ones were increasing the commercial paper to a maximum of \$125,000,000 and placing a "prudent person" rule on the November 2000 ballot for investing surplus funds. The balance of the scheduled recommendations will be completed in late 2000 and during 2001. One of the key indicators will be the timing of any long-term revenue bond issue using the "fixed-rate conversion strategy."

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LINCOLN ELECTRIC SYSTEM
2001 BUDGET REQUEST SUMMARY
(Amounts in Thousands)

<u>BUDGET REQUEST</u>			
OPERATING BUDGET		\$137,212.3	
Less Depreciation		18,747.7	
			\$118,464.6
DEBT SERVICE			
1992 Refunding Bonds - Power Supply		4,011.2	
1993 Refunding Bonds		18,180.1	
1998 Bonds		3,480.6	
			25,671.9
CAPITAL BUDGET			
Previously Authorized Projects	164,518.0		
2001 Construction of Previously Authorized Projects		15,789.0	
Currently Authorized Projects	32,122.6	30,676.0	
2001 Construction of New Authorizations		27,772.6	
2001 Construction Cashflow/ Appropriations Request			43,561.6
			58,448.6
Authorization Carryover to 2002	153,079.0		
TOTAL BUDGET REQUEST			\$187,698.1
			\$202,585.1

<u>SOURCE OF FUNDS</u>			
CASH RECEIPTS			
Operating Revenue		\$155,634.9	
Interest & Other Income		3,365.4	
			\$159,000.3
To be provided from current or borrowed funds			28,697.8
			43,584.8
TOTAL SOURCE OF FUNDS			\$187,698.1
			\$202,585.1

LINCOLN ELECTRIC SYSTEM

2001 CAPITAL BUDGET

SUMMARY

The 2001 Capital Budget is based on estimated direct and indirect capital expenditures. Direct cost includes such items as material, construction labor and transportation which are charged directly to individual capital work orders when the costs are incurred. Indirect cost includes engineering, supervision and administrative overheads for which it is impractical to charge directly to individual capital work orders. These costs are allocated to work orders when the work orders are closed. Customer contributions in aid to construction are also included in the indirect cost section.

The 2001 Capital Budget amount of ~~\$43,561,600~~ \$58,448,600 compares to \$62,251,300 in the 2000 Capital Budget which is a decrease of ~~\$18,689,700~~ \$3,802,700 or ~~36%~~ 6%. The construction portion of the capital budget decreased ~~\$18,280,000~~ \$3,393,000 or ~~33%~~ 6% in total due to less budgeted for Rokeby 3 combustion turbine ~~as project costs wind down~~, offset by an increase for Salt Valley Generation Station.

The capital equipment portion of the budget decreased \$800,700 or 25% primarily due to less budgeted for the business systems replacement/SAP and CMEDS projects.

Indirect cost increased \$391,000 or 10%. Administrative and general overhead increased 13% from payroll and benefit cost increases. Operations overhead cost increased 9% primarily as a result of payroll increases. Preliminary survey and investigation increased 17% from pay increases, increased Power Supply construction activity and software amortization. Customer contribution increased 25%.

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**LINCOLN ELECTRIC SYSTEM
2001 CAPITAL BUDGET
SUMMARY**

(Dollars in thousands)

DESCRIPTION	BUDGET AMOUNT
DIRECT COST:	
Transmission	\$3,716.0
Substation	4,722.0
Distribution Overhead	7,271.0
Distribution Underground	6,980.0
Waverly	60.0
Street Light	1,573.0
Power Supply	<u>12,619.0</u> 27,506
Subtotal Construction	<u>\$36,941.0</u> \$51,828
General Equipment	\$1,869.1
Transportation Equipment	<u>499.8</u>
Subtotal Equipment	\$2,368.9
Total Direct Cost	<u>\$39,309.9</u> \$54,196.9
INDIRECT COST:	
Administrative & General	\$1,703.8
Operations	1,325.2
Preliminary Survey & Investigation	3,056.7
Customer Contribution	<u>(1,834.0)</u>
Subtotal Indirect Cost	\$4,251.7
TOTAL	<u>\$43,561.6</u> <u>\$58,448.6</u>

NOTE - Refer to the 2001 Detailed Operating & Capital Budget
Information for details.

LINCOLN ELECTRIC SYSTEM

2001 Capital Budget

OVERVIEW

The construction portion of the 2001 Capital Budget shows appropriation requirements of \$51,828,000~~36,941,000~~. This is a \$3,393,000~~18,280,000~~ (6%~~33%~~) decrease compared with the 2000 budget of \$55,221,000. This is primarily due to the Rokeby No. 3 combustion turbine, offset by an increase for Salt Valley Generation Station. Most of Rokeby No. 3 ~~this project~~ will be completed by the end of 2000 with final payments in 2001.

The 2001 Capital Budget provides for the required construction to:

- Serve **2,400 new** customers (2,100 net);
- **Upgrade 1000** existing **services** to meet expanded customer needs;
- Serve **20 MW** (megawatts) of new load;
- Serve a **total system** load with a normal peak demand of **718 MW**;
- Replace deteriorating existing facilities to **maintain a safe and reliable system**; and
- Relocate existing facilities to accommodate road projects and other customer needs.

To meet the above goals we will install approximately:

- **160** miles of low voltage secondary and service conductor;
- **580** distribution transformers with a capacity of **57,000 kVA** (new and replacement);
- **7** miles of new 12kV feeders (major circuits);
- **13** miles of other 12kV extensions for residential and commercial developments.
- Rebuild **150** blocks of overhead distribution;
- Replace **500** deteriorated poles;
- Upgrade about **5.5 miles** of existing 115kV transmission line from the Rokeby station to the 20th & Pioneers Substation;
- Complete addition of a second 115-12kV transformer at the 29th & Leighton substation;
- Begin major rebuild/upgrade of the 84th & Leighton Substation;
- Begin construction of new UNL East Campus 35-4kV substation;
- Complete installation and testing of Rokeby No. 3 combustion turbine;
- Continue construction of a local/regional combined cycle generating unit at the Salt Valley Generating Station.

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Lincoln Electric System
2001 Capital Budget
REVISED SUMMARY

(Thousands of Dollars)

Description	1999 Actual	2000 Budget	2001 Budget	Variance 2001/2000
Direct Costs:				
Transmission	\$595	\$4,494	\$3,716	(17%)
Substation	3,282	5,852	4,722	(19%)
Overhead Distribution	1,771	7,546	7,271	(4%)
Underground Distribution	7,000	5,887	6,980	19%
Waverly	48	299	60	(80%)
Street Light	841	1,736	1,573	(9%)
Power Supply	14,198	29,407	12,619 27,506	(57%) (6%)
Subtotal Construction	\$27,735	\$55,221	\$36,941 \$51,828	(33%) (6%)
General Equipment	\$3,315	\$2,667	\$1,869	(30%)
Transportation Equipment	486	503	500	(1%)
Subtotal Equipment	\$3,801	\$3,170	\$2,369	(25%)
Total Direct Cost	\$31,536	\$58,391	\$39,310 \$54,197	(33%) (7%)
Indirect Costs:				
Administrative & General Overhead	\$112	\$1,503	\$1,704	13%
Operations Overhead	1,142	1,215	1,325	9%
Preliminary Survey & Investigation	3,076	2,606	3,057	17%
Customer Contribution	(2,725)	(1,463)	(1,834)	25%
Total Indirect Cost	\$1,605	\$3,861	\$4,252	10%
TOTAL	\$33,141	\$62,252	\$43,562 \$58,449	(30%) (6%)

LINCOLN ELECTRIC SYSTEM

2001 Capital Budget

POWER SUPPLY

OVERVIEW

The 2001 budget amount of \$27,506,000 ~~42,649,000~~ compares to \$29,407,000 in the 2000 Power Supply Capital Budget, a decrease of \$1,901,000 ~~46,788,000~~ (6%~~57%~~).

Major project changes from the 2000 budget are the construction progress of the Rokeby No. 3 combustion turbine, now scheduled for May 2001 operation, and the start of construction for the Salt Valley Generating Station combined cycle power plant, scheduled for operation the third quarter of 2003.

The Rokeby No. 3 turbine contract was executed in 1999, and the balance of manufacturing progress payments and construction payments will continue through May, 2001. The Salt Valley project consists of a nominal 110 MW combined cycle plant and a 40 MW simple cycle combustion turbine. LES will execute the contract for the purchase and installation of three Salt Valley combustion turbines in 2000. Site work for this project is also scheduled to begin this year.

Major combustion turbine upgrade projects include: an upgrade of the voltage regulator system and protective relaying for the 8th & J Turbine, an upgrade of the Rokeby site control system network, the replacement of the Rokeby No. 1 fin-fan cooler and inlet cooling control valves and the installation of a fire protection system for the Rokeby No. 2 battery enclosure.

Other items in the 2001 budget include continued upgrade projects for the Laramie River Station. The LES share of 2001 capital expenditures are projected to decrease by \$243,000 compared to 2000. The 2001 costs are less than the 2000 cost due to capital project timing issues. Capital expenditures will generally increase over the next several years as the unit enters its third decade of service. These construction items are to maintain the high production of this critical facility. Due to the aging of the station, numerous projects are undertaken each year and are projected for future completion.

REVISION

Lincoln Electric System **2001 Capital Budget** **P - POWER SUPPLY**

(Direct Cost - Thousands of Dollars)

Item Detail:

Page 1 of 1

Item	Description	2001 Budget Amount	Prior Spent	Future Est'd Amount	Total Est'd Cost	2001 Work Hours	LES Work Hours	Contract Work Hours	Contribution (Indirect)
	Generating Station & Transmission	\$909	\$0	\$0	\$909	0	0	0	\$0
P230	LARAMIE RIVER STATION	\$909				0	0	0	\$0
	Miscellaneous, Other	\$250	\$0	\$0	\$250	0	0	0	\$0
P235	MISCELLANEOUS MODIFICATIONS	\$250				0	0	0	\$0
	Rokeby 3 Combustion Turbine	\$2,802	\$29,559	\$0	\$32,361	150	150	0	\$0
	Rokeby 2 A/C for battery and SFC enclosures	5	0	0	5	35	35	0	0
	Rokeby 2 Interger Fire System for Battery roo	31	0	0	31	40	40	0	0
	Rokeby No. 1 Fin Fan Cooler	32	0	0	32	75	75	0	0
	Rokeby No. 1 Inlet Cooling Control Valves	36	0	0	36	50	50	0	0
	Rokeby No. 1 125 VDC Battery Bank	19	0	0	19	25	25	0	0
	Rokeby No. 1 Control Cab Heat Pump	4	0	0	4	15	15	0	0
	ROC Emergency Lighting Battery Bank	5	0	0	5	25	25	0	0
	Rokeby Site D.I. Polishing System	350	0	0	350	75	75	0	0
	Rokeby Site Network	12	0	0	12	50	50	0	0
	8th & J Voltage Regulator	70	0	0	70	50	50	0	0
	8th & J Protective Relaying	82	0	0	82	75	75	0	0
P240	LOCAL GENERATION	\$3,448				665	665	0	\$0
		\$22,669		\$90,214					
	Regional/Local Combined Cycle Unit (Authorized: 1999 - 2005 CIP)	\$7,782	\$6,500	\$105,101	\$119,383	500	500	0	\$0
P245	REGIONAL GENERATION	\$7,782				500	500	0	\$0
		\$22,669							
	Microturbine Project	\$125	\$0	\$0	\$125	300	300	0	\$0
	EPR! Tailored Collaboration Project	105	0	0	105	0	0	0	0
P255	OTHER POWER SUPPLY	\$230				300	300	0	\$0
		\$27,506							
TOTAL	P - POWER SUPPLY	\$42,649				1,465	1,465	0	\$0